

# **Public Notice**

## **REQUEST FOR PROPOSALS**

**New Orleans Redevelopment Authority (NORA) and the New Orleans Redevelopment Unlimited, Inc.  
(NORU)**

**Residential Construction Lending**

**May 16, 2014**

### **ADDENDUM NO.: Five (5)**

**TO ALL PROSPECTIVE APPLICANTS: PLEASE BE ADVISED OF THE FOLLOWING ADDITIONS, DELETIONS AND/OR CHANGES:**

- 1) Notice is hereby given that NORA/NORU has implemented a deadline for potential applicants to ask questions and receive an answer prior to the RFP proposal deadline. NORA/NORU will respond to all questions that are submitted by **noon on Thursday, May 22**. NORA/NORU will respond to all questions received by the stated deadline no later than Tuesday, May 27 at 4 pm. NORA/NORU makes no guarantees that questions submitted after May 22 will be answered prior to the RFP proposal deadline.
- 2) All general questions will be posted for public viewing as an addendum. Below are all general questions received and answered by NORA/NORU as of the date of Addendum No. Five (5).

#### **Q1 – Does NORA/NORU have the appraised price for the available properties?**

*A1 – NORA/NORU will appraise the properties once developers submit their requests through the application process. The type and location of properties that are available will typically fall within a range of value between \$10,000 and \$50,000. Typically properties with structures will appraise higher than vacant properties. In order to maintain affordable home ownership, NORA/NORU encourages developers to accept a 90% discount from the final appraised value in exchange for committing to sell the homes to households up to 120% of area median income at time of sale. Currently, a 120% household earns \$70,560 combined annual income for a household of 4. For budgeting purposes, NORA/NORU recommends that Developers use their expertise to estimate the appraised value and indicate in the sample budget (Exhibit C) the price for acquisition, either 100% of FMV(fair market value) or 10% if the discount will be accepted.*

#### **Q2 – Can one request a modification or waiver of a Program Guideline?**

*A2 – Waivers will not be granted individually but as a whole to all applicants. NORA/NORU will publish*

*any and all changes to the RFP to the public as applicable.*

**Q3 - Can an applicant propose financing on more than 20% of their own properties in the proposal?**

*A3 – No, NORA has chosen to restrict the number of privately owned properties financed with NORU funds per applicant in order to promote the use of NORA's property inventory first.*

**Q4 - Does NORA and LHC want to leverage their funds with each other's sources?**

*A4 – LIHTC (Low-income housing tax credits) funding is intended for rental housing and rental properties are not considered as part of the current RFP.*

**Q5 – Is this program only for homeownership, or would low-moderate income rental be an option with these properties and potential financing?**

*A5 –Rental properties were not considered for this program. NORA or NORU may decide at a later date to support rental properties but at this time the market has proven supportive of scattered site for-sale housing.*

**Q6 - If I have my own funding set up to purchase structures/lots and complete construction is there a minimum number of structures or lots I can request in my proposal?**

*A6 - Yes, 5 properties are the minimum number that you may request from NORA's inventory on Appendix A if no financing is being requested.*

**Q7 - If I intend to reserve the sale of the completed properties to low or moderate income households will I still qualify for 90% discount if I use my own funding?**

*A7 - The 90% discount will require you to sell to a Qualified Household, which is defined as any household that earns up to 120% of Area Median Income (AMI). The AMI is different depending on how many members are in the household. For example, in 2014 a household of 4 making up to 120% of AMI may not make more than \$70,560 when all members living in the home are accounted for.*

**Q8 - Since leasing is not allowable, can we sell properties to a Property Management Company?**

*A8 - No. At this time NORA intends to execute a standard developer agreement that will require the applicant to be the developer and sell at completion to a Qualified Household, not a property manager or 3rd party developer.*

**Q9 - Does the first look period mean that the developer cannot put the house under contract while it's under construction?**

*A9 – No. Developers may put a house under contract at any time if the Qualified Household contains at least one member that is employed as a First Responder, as defined in Addendum #1 issued on April 11,2014. After day 30 from the date of the Certificate of Occupancy is issued the Developer may execute a Purchase Agreement with any Qualified Household, regardless of First Responder status.*

**Q10 - Will NORA have a policy about how the developer will be required to set the sales price?**

*A10 – No, but developers are reminded that only a portion of the NORU loan is forgivable and as their sales price decreases, so does the amount that they'll be reimbursed for the development costs. However, if the house is priced too high, developers will have a difficult time finding eligible buyers if the sales price is not equal to or less than a 3rd party appraisal.*

**Q11 - We are trying to better understand the implementation timeline. If selected, when would we be able to begin construction?**

*A11 - Developers will be required to start construction within 30 days of loan closing. Loans are expected to close within 30-45 days after awards are announced.*

**Q12 - What type of plan review will be required before beginning construction and what intermittent inspections will be required during construction?**

*A12 - As with any loan, Developers should expect NORA/NORU to inspect the properties at each draw request to verify that work is completed. Prior to construction, NORA/NORU will also review each house design for neighborhood design appropriateness.*

*In addition, the building standards for this program require Energy Star V3.0. V3.0 requires that developers use a certified HERS rater while they draft their building plans. The HERS rater along with the other V3.0 requirements will in part control for compliance with the plans during construction.*

*As discussed at the informational meeting on April 11th, potential applicants are urged to review the Energy Star V3.0 requirements carefully with an experienced professional. More about Energy Star and V3.0 requirements can be found on-line;*

*[http://www.energystar.gov/index.cfm?c=bldrs\\_lenders\\_raters.nh\\_v3\\_guidelines](http://www.energystar.gov/index.cfm?c=bldrs_lenders_raters.nh_v3_guidelines)*

**Q13 - For new construction, the RFP requires full building plans and specifications. Would you require the plans to be implanted on the specific lots from NORA that we are applying for, or is a general prototype with full specs sufficient? Also, are specifications meant to include plans for sewer/plumbing/electricity lines (construction docs) or just annotated floor plans?**

*A13 – A general prototype is sufficient for the application. Once developers are selected, NORA/NORU will require a more detailed budget and specifications respective to the properties awarded. Your plans do not need to include sewer/plumbing/electricity lines for purposes of the application.*

**Q14 - Do existing structures, purchased for rehab, need to meet Energy Star Version 3 certification?**

*A14 - Yes, all development will be required to meet ENERGY STAR V3.0. ENERGY STAR can be pursued on rehabs, as long as the rehab scope includes all of the ENERGY STAR items. You may use either the performance path or the prescriptive path.*

**Q15 - If I apply for 30 lots, and 20 are accepted, is that acceptance binding? Could I decide I only wanted to purchase 5 of the 20 if 20 were accepted?**

*A15 - You can apply for 30 and after your application is reviewed based on the criteria as outlined, if you are selected NORA/NORU will negotiate the final terms with you including the final number of properties, the exact locations, the schedule and each property's purchase price. Keep in mind that a competitive application will adequately show how you can reasonably develop all of the requested number of properties on schedule.*

**Q16 - I understand that the purchase prices will be the market value of the property. Can I reject an approved application because the price seems too high to me? In other words, if y'all come back with a price of \$50,000 for a lot worth in my opinion \$10,000.00 will I be forced to purchase the property at the "market value" of \$50,000.00, or can I refuse?**

*A16 – You can refuse. Keep in mind, developers will choose if they want to buy the properties at a 90% discount from the market value in exchange for meeting the sales requirements.*

**Q17 - I see that the minimum loan amount is \$250K with a maximum loan amount of 50% of the total development costs per property. As such, if I wanted to rehab 3 structures with a total rehab cost of \$225K does this mean no loan would be available because 50% of \$225K (\$112.5k) is less than \$250K minimum?**

*A17 – No. The minimum total loan is \$250,000 and the maximum is \$1,000,000, per developer. Moreover, the minimum number of properties that NORA/NORU is looking to invest in is 5 properties per developer. Lastly, the total loan per property is the lesser of \$75,000 or 50% of the total development cost.*

*As such, if you were to develop 5 properties with a total rehab cost of \$200,000 you may propose to borrow up to \$75,000 each (because \$75,000 is less than 50% of the rehab cost of each unit). So your total loan request for 5 properties in this scenario is \$375,000 well within the minimum and maximum project loan costs.*

**Q18 - If we submit a successful proposal for 5 houses and are awarded a commitment of \$375,000 in NORA/NORU loan funds can we invoice NORA/NORU on the project as a whole or are we limited to invoicing only \$75,000 per house?**

*A18 - As the program is currently designed, the NORU funds are intended to help cover financing gaps. Thus, a developer will be reimbursed up to \$75,000 per property and must demonstrate access to other sources to cover the remaining costs.*

**Q19 - If an applicant is not requesting funding for construction or other costs for the proposed project but, is instead using their own funds, will the Section 3 and 24 CFR Part 58 Environmental Review processes apply?**

*A19 –No. If the applicant is not requesting any financing and proposes to pay “Fair Market Value” for the properties, based on a 3rd party appraisal, than none of the CDBG requirements carry forward, including Section 3 or Part 58 ERR. Keep in mind that NORA and NORU maintain building standards and development schedules that still apply. For example, the Energy Star V3.0 still applies to development regardless if the chosen developer uses any of the NORU financing or the land purchase price reduction from NORA.*

**Q20 - Can the applicant purchase the properties at less than FMV even though they will use their own money, provided they sell the units to low income families?**

*A20 - Yes. The developer is not required to use financing from NORU, even if they propose to purchase properties at a discount. However, the write-down on the land is considered a subsidy in itself and would require that the homes are later sold to middle-moderate income households (up to 120% of AMI).*

**Q21 - Are properties under this program only available for business owners or can individuals submit a proposal as well? Also, please explain the details of the process in terms of requirements, stipulations, and financing (such as down payments and loan eligibilities regarding 203k loans and/or construction loans).**

*A21 - Properties are available to anyone who meets the qualifications outlined in the RFP. There is no restriction on the type of entity. Please note that Addendum #3 was posted on 5/9/14 to clarify that applicants must be willing and able to demonstrate that they can develop at least 5 properties under the program. This is to encourage clustered development. The stipulations are also provided in the application. While the basic loan terms are outlined in the RFP, specifics will be negotiated after qualified developers are selected.*

**Q22 – Will NORA let us into some of the structures to plan our renovation?**

*A22 - At this time we are not opening up any structures for inspection. NORA encourages applicants to visit all the lots, both vacant and with structures, to verify the location, condition and other evaluative features. Applicants that are eligible will be invited to negotiate a purchase agreement and loan agreement prior to which NORA will provide access to the structures to confirm more accurate budgets. In the meantime, please visit the sites and do your best to estimate your proposed budget for a standard rehab of same size and type.*

**Q23 - Does Exhibit G need to be printed, then notarized and then re-attached with my application?**

*A23 - Correct, Exhibit G will need to be printed, notarized and re-attached as a PDF electronically and included in the hard copies. Only one original notarized version is required.*

**Q24 - Is the Enterprise Takeout Loan Product a requirement for all applicants?**

*A24 - The Enterprise Takeout Loan Product (LLF) is not a requirement. It is but one option to demonstrate how an applicant may repay a portion of the NORU financing. NORU will loan up to 75k or 50% of the development costs, whichever is less. But, NORU will only forgive up to 25k of whatever is loaned; the rest must be repaid to NORU.*

**Q25 - Since we need to market to First Responders for 30 days after C of O, is it correct that we can't sell to anyone else before that?**

*A25 - As the requirement is currently written, your interpretation is accurate; a developer cannot pre-sell a home to a household that does not contain a First Responder. However, NORA/NORU anticipates that as the need arises, we will be flexible with the marketing requirements and allow developers who can pre-sell homes to do so as long as they can demonstrate marketing to First Responders first. This flexibility may be clarified prior to signing an agreement with NORA/NORU for development.*

**Q26 – We have several certified HERS raters on our construction management staff, would this meet the Energy Star V3.0 in regard to drafting building plans?**

*A26 – Yes, however your HERS rater does need to be RESNET certified and an Energy Star V3 partner. There is no charge to be an Energy Star partner. Raters can follow these steps from Energy Star to register as a partner ahead of time;*

*[http://www.energystar.gov/index.cfm?c=bldrs\\_lenders\\_raters.nh\\_rater](http://www.energystar.gov/index.cfm?c=bldrs_lenders_raters.nh_rater)*

**Q27 - If we are doing new construction, are we locked into the exact plans we send in with the application?**

*A27 - You are not “locked” into the plans as submitted in your proposal. The application requests a sample set of your plans up-front and a description of your typical materials and finishes so that NORA/NORU may apply the criteria set forth in the application; Experience, Design Appropriateness and Project Strength to judge your proposal. Plans may change simply due to the Energy Star V3.0 requirements or other. However, you should expect to finalize a set of approved plans prior to commencing construction.*

**Q28 – On the "Ex\_C Example TDC Budget" sheet in the sample budget, cell E27 is labeled "General Requirements (01000 - Gen Conditions AIA G703). I'm not sure what cost you are asking for?**

*A28 - General Requirements typically include, but are not limited to, the following cost items;*

- 1) Mobilization, staging and clean-up costs*
- 2) Construction administration and temporary facilities/utilities*
- 3) Maintenance of records*

**Instructions:** Applicants shall respond to the original RFP available on-line or by contacting NORA. Submit your completed application pursuant to the directions set forth in the original RFP. Any questions regarding the RFP or this addendum should be directed to Kristy Sclafini, NORA Compliance Coordinator, 1409 Oretha Castle Haley Boulevard, New Orleans, LA 70113, 504-658-4400, [kdsclafini@nola.gov](mailto:kdsclafini@nola.gov).

PLEASE NOTE: All revisions in this Addendum shall be considered as included in the original RFP and shall take precedence over any part of the RFP in conflict therewith.

THIS ADDENDUM WILL BE MADE PART OF THE RFP.